



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION

861 SILVER LAKE BLVD.
CANNON BUILDING, SUITE 100
DOVER, DELAWARE 19904

TELEPHONE:
FAX:

(302) 736-7500
(302) 739-4849

September 12, 2016

MEMORANDUM

TO: Members of the Commission

FROM: Joseph DeLosa, Public Utilities Analyst *JDS*

SUBJECT: IN THE MATTER OF JOINT APPLICATION FOR THE APPROVAL FOR
TRANSFER OF CONTROL OF GRASSHOPPER GROUP, LLC PURSUANT TO 26
DEL. CODE § 215 (FILED AUGUST 29, 2016) – PSC DOCKET NO. 16-0899

Application

On August 29, 2016, Citrix Systems, Inc. ("Citrix") and LogMeIn, Inc. ("LogMeIn") (collectively "Applicants"), filed an application with the Delaware Public Service Commission ("PSC" or "Commission") seeking approval under 26 Del. C. § 215 for an approval of a series of transactions whereby Grasshopper Group, LLC ("Grasshopper") ultimately will be transferred from Citrix to LogMeIn ("Proposed Transaction").

Applicants

Citrix Systems, Inc.

Citrix is a publicly traded Delaware corporation headquartered at 851 West Cypress Road, Fort Lauderdale, FL, 33309. Citrix provides multiple solutions for Workspace-as-a-Service, application delivery, virtualization, mobility, network delivery and file sharing across devices and via the cloud.

Grasshopper Group, L.L.C.

Grasshopper is a wholly owned subsidiary of Citrix, and is authorized to provide intrastate telecommunications services in Delaware. Grasshopper is a Massachusetts limited liability company with a primary business address of 197 1st Ave, Suite 200, Needham, Massachusetts, 02494. Grasshopper was granted a CPCN to provide competitive intrastate interexchange telecommunications services within the state of Delaware by the PSC in Docket No. 13-4 (Order No. 8449, August 27, 2013). Further, Grasshopper is registered with the Federal Communications Commission to provide interstate telecommunications services, and was granted international Section 214 authority on October 15, 2009.

LogMeIn, Inc.

LogMeIn is a publicly traded Delaware Corporation with a primary business address of 320 Summer Street, Boston, Massachusetts, 02210. They provide cloud-based connectivity solutions that allow users to work remotely, support remote computers and other internet-enabled devices, and secure collaboration. LogMeIn has tens of millions of users and had annual revenue of \$222M in 2014 and \$271.6M in 2015. Their specific offerings include join.me, join.me pro, and join.me business; LogMeIn Pro, and LogMeIn Central; LogMeIn Rescue, Rescue Lens, and LogMeInRescue+Mobile; BoldChat; LastPass; and Xively.

GetGo, Inc. (“GetGo”)

GetGo is the holding company of the GoTo family of products. It is a wholly owned subsidiary of Citrix.

Transaction

On July 26, 2016, Citrix and LogMeIn jointly announced the proposed combination of GetGo with LogMeIn in a Reverse Morris Trust transaction. This combination will result in Citrix shareholders receiving shares of LogMeIn that equal approximately 50.1% of all outstanding shares of LogMeIn on a fully diluted basis, while existing LogMeIn shareholders will own approximately 49.9% of the outstanding shares of the combined LogMeIn company on a fully diluted basis. The Proposed Transaction is expected to occur in the first quarter of 2017, contingent upon LogMeIn shareholder approval and satisfaction of other customary closing conditions.

With regard to the Proposed Transaction, Citrix intends to complete an internal multiple-step restructuring process involving a transfer of control of certain Citrix entities to GetGo. Relevant to this application, Citrix intends to complete a pro forma transfer of control of Grasshopper to GetGo.

Public Interest

The Applicants submit that the Proposed Transaction is in the public interest and will promote competition among telecommunications carriers and other service providers in the delivery of communications solutions for consumers and businesses. The Proposed Transaction will not result in any service interruption, discontinuance, impairment, or immediate change in rates, terms and conditions of service. The Proposed Transaction will also not diminish competition as neither LogMeIn or GoTo compete in the provision of any regulated service.

The Proposed Transaction will combine Citrix’s GoTo business segment and LogMeIn, which the Applicants submit will expand LogMeIn’s existing suite of communications products and solutions, thus enabling LogMeIn to deliver greater value and a wider variety of services to customers. In particular, the application mentions particular benefits for small and medium-sized business and large enterprise customers which will benefit from new opportunities created of highly reliable, scalable, and customizable solutions.

The Applicants assert that, pursuant to the requirements of 26 *Del. C.* § 215(d), that the application is “in accordance with law, for a proper purpose and is consistent with the public interest” as it (1) is subject to regulatory approval, including the approval of the Federal

Communications Commission; (2) will provide for the continued provision of competitive telecommunications services in Delaware; and (3) will benefit Delaware customers through increased efficiencies and Applicants' ability to provide greater value and variety of high quality, innovative services. The Applicants request that the Proposed Transaction be approved as expeditiously as possible.

Staff Recommendation

Applications seeking approval of transfer of control are regulated under the provisions of 26 *Del. C.* § 215, as competitive multi-state intrastate telecommunications providers are deemed to be public utilities. The Applicants have represented that the Proposed Transaction is in accordance with the law, for a proper purpose, and consistent with the public interest. The Commission has previously allowed such applications to become effective by statutory approval without Commission action. The result seems appropriate under these circumstances. Staff, therefore, recommends that the Commission not act on this application and instead allow, under 26 *Del. C.* § 215(d), that it be deemed approved.